

Mogale City

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25 February 2016

**EXTRACT FROM THE MINUTES OF 49th SPECIAL COUNCIL MEETING OF MOGALE CITY
LOCAL MUNICIPALITY HELD ON WEDNESDAY 25 FEBRUARY 2016**

ITEM K(ii) 5(02/2016)

**Mogale City Local Municipality MPAC Oversight Report on the Annual Report
2014/2015**

RESOLVED:

1. that after Council having fully considered the Annual Report of the Municipality and representations thereon, adopts oversight;
2. that the Annual Report on 2014/2015 be adopted without reservation;
3. that Council notes that the oversight report was done in line with the Municipal Finance Management Act no.56 of 2003 and Treasury.

CERTIFIED AS A TRUE EXTRACT

**S M THUPANE
MADAME SPEAKER**



Mogale City
Local Municipality

MOGALE CITY LOCAL MUNICIPALITY
MPAC OVERSIGHT REPORT ON THE
ANNUAL REPORT 2014/2015

MUNICIPAL PUBLIC ACCOUNTS
COMMITTEE MEMBERS

- Cllr Mandisa Mdzeke ANC
 - Cllr Molefi Selibo ANC
 - Cllr Dudu Ngubane ANC
 - Cllr David Ndamane ANC
 - Cllr Norman Sedumedi ANC
 - Cllr Cynthia Zagagana ANC
 - Cllr Francinah Chohledi ANC
 - Cllr Esther Thage ANC
 - Cllr Dennies Pretorius DA
 - Cllr Christo Peyper DA
 - Cllr Lydia Moloi DA
 - Cllr Matthys Van Tonder DA
-
- Cllr Susan Thupane - Speaker of the council

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FOREWORD BY CHAIRPERSON

Municipal Public Accounts Committee is a structure that has been established to perform oversight role and in assisting council to hold its administration to account and to ensure effective and efficient use of municipal resources. MPAC should also create a conducive environment to accommodate and work together with other council committees and also compliment the Audit Committee as oversight structures that support council.

Our fundamental principles of democracy are that government is responsible to the people. It is essential for government to account for the money it raises and spends. This is a principle of Financial Accountability which necessitates complete, accurate and timely reporting for all resources allocated to all departments including expenditure on staff, programmes and projects. Accountability and transparency are indispensable pillars of good governance. Departments should focus on outcomes and impacts rather than outputs. It is generally accepted principle that those responsible for the conduct of public activities and handling of public funds should be held fully accountable for;

- Ensuring that the public funds are safeguarded and properly accounted for,
- Conducting all activities in accordance with the applicable laws, regulations and standards.
- Delivering services in an economic, efficient and effective manner and strengthening service delivery performance, by establishing and seeking to achieve targets and meeting community expectations and outcomes.

For public confidence and trust in government to improve, it is necessary not only to correct poor accountability, but also to remove all the practices that lead to public perception of an unaccountable government. President Barack Obama summarized this state of affairs correctly when he said. ***"in the absence of sound oversight, responsible businesses are forced to compete against unscrupulous and under handed businesses, who are unencumbered by any restrictions on activities that might harm the environment, or take advantage of middle class families, or threaten to bring the entire financial system"***. The government should be mindful of the fact that this quote does not apply only in business but it must be further considered as a reality even in government as its primary objective is to create committees with sound oversight. The municipality is further compelled to develop result- oriented strategies, monitor and report performance. Through public accountability and transparency, government can achieve harmony between public policy, implementation and resource use.

Legal Framework

Every committee of council is guided by legislation the MPAC is not unique amongst other council committee when performing its oversight work. The annual oversight is compiled in terms of Section 129(1) of the Municipal Finance Management Act, No.56 of 2003 which reads as follows:" The council consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control and by no later than two months from the date which the

annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include statement whether the council -

- a) *Has approved the annual report with or without reservations*
- b) *Has reject the annual report; or*
- c) *Has referred the annual report back for revision of those components that can be revised."*

The Municipal Finance Management Act (MFMA), Circular No 32, stipulates clearly that the way the overall financial activities of the council should be handled and more emphasis is on the functionality of the oversight committee. Also the report ensures the executive and the administration can depend on the work of a municipality.

Stakeholders

The annual report was posted on the municipality's website and public places and it further requires the office of the Municipal Manger within (7) seven days to invite the public to comment. Meetings were convened with different stakeholders in soliciting information which has assisted the committee in formulating questions for the Senior Management to respond to. On the 17th of February the committee invited Provincial Treasury and COGTA for final briefing; unfortunately both departments were unable to attend due to other commitments. However they have forwarded an Assessment on the annual report. After the adoption of the oversight report, the committee will undertake outreach programmes amongst communities to promote its work. The office of the Municipal Manager will be expected to summarize the outcomes of the 2014/2015 financial year for the Executive Mayor to present officially to the communities as part of deepening democracy and promoting transparency and accountability.

Committee Meetings

The Municipal Public Accounts Committee tabled its activity plan before council for approval as a way of outlining its business. This activity plan is per Terms of reference submitted to council which clearly defines the work of this committee. The committee is also guided by the intergovernmental protocol framework in convening its meetings as a way of avoiding unnecessary clashes with the locals. Members of MPAC also serve in other committees of council, except the chairperson who is full time. In some instances it becomes difficult for the committee to meet its deadlines. Members and the Chairperson of the Committee also attended various meetings convened by other government departments and convened District as part of capacitating the local municipalities. The Chairperson also attended Association of Public Accounts Committee conference (APAC) which convenes annually at which the Resolutions in a form of Declaration were taken.

Capacity Building

SALGA has realized that over and above the conventional induction of 5 year term of office, regular in-depth capacity building programmes for Councilors which focus on financial oversight is necessary. Certain stakeholders such as APAC have played an important role in capacitating councilors. These inductions should be continuous until we are satisfied that all councilors can play their oversight with certainty and confidence. The Office of the Speaker through capacity building and training, has the responsibility in capacitating all councilors across party lines. South African Local Government Association as a mother body has rolled out the first phase workshops that were directly focusing on capacitating Chairpersons and Finance MMC's, HOD'S and including municipal officials who are in charge of the finances of the municipality.

Conclusion

As the municipality has received a clean audit report, the committee is geared to ensure that this outcome is sustained for the next financial year 2015/16. The oversight committee is there to ensure that the municipality runs its affairs in a manner that will promote effective use of Municipal Resources. This is a just cause that all of us have to rally behind to strengthen oversight and promote good governance. The pursuit of value for money is imperative, if government is to improve service delivery standards. As the committee we believe that to fully discharge our council obligation and to oversee the executive function, more work needs to be done.

The committee also commends the work of the administration in ensuring that the municipality improved its work and outcome as the office of the Auditor General has expressed a Clean Audit Opinion for 2013/14 and 2014/2015 financial years.

Finally, I wish to congratulate the commitment, the unity and contribution made by committee members and the support the Speaker gave to this committee from inception until to date.

Towards enhanced service delivery and financial accountability.


Clr. M. Mdzeke

MPAC Chairperson

INTRODUCTION

The 2014/2015 Annual Report was tabled at a Council Meeting held on 09 December 2015 in compliance with the Municipal Finance Management Act, Act No 56 of 2003, (MFMA), which requires under Section 127(2) that:

"The Mayor of a municipality, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality"

And Council resolved as follows:

- 1. The 2014 / 2015 Annual Report of the Mogale City Local Municipality be noted.*
- 2. The Annual Reports, mentioned in (1) above, be referred to the Municipal Public Accounts Committee (MPAC) for oversight.*
- 3. MPAC received additional information needed (see memo 16 November 2015 and 11 February 2016)*

Every municipality must prepare an Annual Report for each financial year in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and the Municipal Systems Act (Act No 32 of 2000). The purpose of the annual report is:

- to provide a record of the activities of the municipality
- to provide a report on performance in service delivery and against budget
- to provide information that supports the revenue and expenditure decisions made
- and to promote accountability to the local community for decisions made

When tabled, the Annual Report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- i. The annual performance report as required by Section 46 of the Municipal Systems Act (MSA)
- ii. Annual Financial Statements submitted to the Auditor-General;
- iii. The Auditor-General's audit report on the financial statements in terms of Section 126 (3) of the Municipal Finance Management Act, Act No 56 of 2003; and
- iv. The Auditor-General's audit report on performance in terms of Section 45(b) of the Local Government: Municipal Systems Act.

The oversight report is the final major step in the annual reporting process of the municipality and must include in terms of Section 129(1) of the Municipal Finance Management Act (MFMA) Act No 56 of 2003

It is required in terms of Section 129(3) of the Municipal Finance Management Act (Act No 56 of 2003); the Municipal Manager must in accordance with Section 21A of the Local Government: Municipal Systems Act, No.32 of 2000 make public the Oversight Report within seven days of its adoption.

BACKGROUND

Oversight Committee considers the following in the process of assessment:

Council requested the Municipal Public Accounts Committee (MPAC) to serve as an oversight committee to exercise oversight over the executive obligations of council to consider the Annual Report as per resolution ITEM 144 and in terms of Section 79 of the Local Government: Municipal Structures Act, Act No 117 of 1998.

The functions of the Oversight Committee on the Annual report are to:

- Undertake a review and analysis of the Annual Report
- Invite, receive and consider inputs on the Annual Report
- Consider written comments received on the Annual Report from the members of the public
- Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report
- Prepare the Oversight Report to be tabled before Council for consideration

The Annual report was submitted to the Auditor- General, Provincial Treasury and the Department of Local Government and Housing.

RECOMMENDATIONS

After careful consideration of the Annual Report the Municipal Public Accounts (MPAC) hereby recommend...-

1. That after Council having fully considered the Annual Report of the municipality and representations thereon, adopts oversights...and
2. The Annual Report on 2014/2015 be adopted without reservation
3. Take note that the oversight report was done in line with the Municipal Finance Management Actno 56 of 2003 and Treasury.

Summary of comments on the 2014/15 Annual Report

Assessment per Chapter

CHAPTER 1: INTRODUCTION AND OVERVIEW

MAYOR'S FOREWORD

<u>ACTIVITIES</u>	<u>COMMENTS</u>
<ul style="list-style-type: none">• KEY POLICY DEVELOPMENTS Strategic alignment to the Provincial Growth and the IDP strategies included in the IDP report especially with focus on impact and outcomes achieved.	IDP strategies not indicated. Impact outcomes achieved were not covered in the report.
<ul style="list-style-type: none">• KEY SERVICE DELIVERY IMPROVEMENTS Comment on the major successes of the year included and provides an indication of challenges overcome.	Implementation of LED strategy, piloted enviro-loo toilets and Operation Clean Audit indicated as successes. But no indications of challenges overcome.
<ul style="list-style-type: none">• PUBLIC PARTICIPATION Methods and/ or processes used to increase public awareness on service availability, public engagement in decision making and improvements of accountability to communities are well captured	Establishment of Rapid Response Task Team, Mining forum and revived Moral Regeneration Committee and Dikgang Tsa Mogale newspaper have been indicated. But it would have been more appropriate to indicate effectiveness of initiatives
<ul style="list-style-type: none">• FUTURE ACTIONS Initiatives committed whereby service delivery will be improved over the next few years.	Smart city Development programme, reduce carbon footprint, waste-to-energy project, to launch solar energy plant and completed Cradle of Humankind World Heritage Site Precinct Plan to guide tourism and development in the node but did not take into consideration the planned Lanseria Airport City.

MUNICIPAL MANAGER 'S OVERVIEW

<ul style="list-style-type: none">(i) Alignment of services to IDP indicators and Council priorities.(ii) Service delivery performance.(iii) Financial sustainability(iv) Efforts to conserve power and water in its offices and other facilities.(v) Details of administration policies made	In line with ART to some extent, but did not indicate efforts taken to conserve power and in its offices and other facilities and details of administrative policies made.
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RECOMMENDATIONS

1. 2016 Vision outcomes should be captured in the Mayors foreword

2. The mayor's foreword would have been more appropriate if there was indication of effectiveness of initiative set and consideration planned for Lanseria Airport City.

STATEMENT BY THE MUNICIPAL MANAGER

OVERVIEW OF THE MUNICIPALITY

ACTIVITY	COMMENT
Geographic profile	Outlined adequately
Demographic profile	Outlined adequately
Socio-economic profile	Outlined adequately
Internal and external changes during the financial year. Including <ul style="list-style-type: none"> o Number of formal houses o Number of informal Houses o Number of poor Households 	Outlined adequately:

RECOMMENDATIONS

Municipal Manager Overview and executive summary have improved although he did not include Metro outcomes.

CHAPTER 2.GOVERNANCE

The municipality has improved in communication, participation and forums for the spirit of transparency, accountability, participatory governance, commitment and honesty.

RECOMMENDATION

The municipality should conduct public satisfaction surveys to determine the awareness on municipal services and projects.

CHAPTER 3 SERVICE DELIVERY PERFORMANCE

WATER SERVICES

<u>ACTIVITIES</u>	<u>COMMENT</u>
<ul style="list-style-type: none"> • Why T3.1.4 is omitted? 	<ul style="list-style-type: none"> • Table not included
<ul style="list-style-type: none"> • Would you please clarify paragraph 5 and 6 on T3.1.10 	<ul style="list-style-type: none"> • The paragraph 5 and 6 are not clearly stated.
<ul style="list-style-type: none"> • Are the any measures in place to repay the alleged financial losses? 	<ul style="list-style-type: none"> • Municipality should have means to recover the loss.

<ul style="list-style-type: none"> • More clarity is needed on T3.26.5 	<ul style="list-style-type: none"> • The amounts on T3.26.5 are they for salaries or training.
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ELECTRICITY

<ul style="list-style-type: none"> • Comparing on 2013/2014 and 2014/2015 financial years there is no improvement on provision of electricity to consumers. 	<ul style="list-style-type: none"> • The municipality should indicate challenges which let to no improvements and time frames.
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RECOMMENDATION

Municipality should provide monthly reports on all key service delivery issues e.g. (water consumption)

CHAPTER4: HUMAN RESOURCE AND ORGANISATIONAL DEVELOPMENT

ACTIVITY	COMMENT
<ul style="list-style-type: none"> • What is the municipality doing to fill up the vacancy particularly the areas that affect service delivery (e.g. water and environment protection T4.1.1)? 	Inadequate No efforts indicated on trying to fill up vacancies
<ul style="list-style-type: none"> • Do you have a monitoring system in order to check the abuse of sick leave and what is the estimate cost? T4.3.2 	Inadequate No system indicated that will assist in eradicating sick leave abuse.
<ul style="list-style-type: none"> • T4.4.1 not part of report. 	Inadequate Explain T4.4.1 omission
<ul style="list-style-type: none"> • On T4.6.1.1 and T4.6.3 upgrade of an employee without evaluation. 	MPAC still need more clarity on the following Tables T4.6.1.1, T4.6.3.

RECOMMENDATION

Municipality should have clear measures taken on recovering rand value losses.

CHAPTER 5: FINANCIAL PERFORMANCE

ACTIVITY	COMMENT
<ul style="list-style-type: none">• According to the annual template you need to give us the name of consultants that you used and also provide their achievements.	Inadequate response
<ul style="list-style-type: none">• Why there is serious under spending on environmental protection?	The question was based on T5.6.1.1(comment on sources of funding please refer to page 280)
<ul style="list-style-type: none">• Why the municipality pays projects with without conducting assessment on it (e.g. project plan and project milestone)	Inadequate response refer to T5.8.1,T5.8.2 and T5.8.4
<ul style="list-style-type: none">• Provide a reason why we under spend on repairs and maintenances that might affect service delivery?	Inadequate response refer to T5.8.1,T5.8.2 and T5.8.4
<ul style="list-style-type: none">• Please provide an information on T5.8.1	Table T5.8.1is not completed

RECOMMENDATION

The names of the consultants that renders services for the municipality should be disclosed and their achievements.

CHAPTER 6

AUDITOR GENERAL REPORT

(See attach documents)

RECOMMENDATION

The municipality should maintain a Clean Audit expressed by the Auditor General.

ANNEXTURES

A. Municipal Manager

B. Municipal Public Accounts Committee (MPAC) requests and responses on 2014/2015 annual report



Mogale City Local Municipality

MINUTE

TO:

Date: 16 November 2015

**Office of The Municipal Manager
Mr Dan Matshitsho**

**RE: REQUEST FOR RECTIFICATION ON THE CONTENTS OF THE DRAFT
ANNUAL REPORT RECIVED ON THE 19TH OF OCTOBER 2015.**

We as Municipal Public Accounts committee would like to express our concerns about the quality of the information on the draft annual report presented to MPAC of which we requested for a workable copy that we can use to make comments / ask for further clarities we were given same copy (with careless mistakes, wrong information of MMC etc.) see attached copy.

The report complies with circular 63 but unfortunately chapter three which is based on service delivery issues has incomplete tables, incorrect numbering, there is still insufficient information of challenges encountered for and strategies to be used for future purposes for example (unaccounted water losses).

Due to time constraints we humbly request that the abovementioned information be received on Friday 20/11/ 2015 so that we are be able to complete our oversight report.

Hoping that our request will meet your consideration.

Yours

Cllr MA Mdzeke

MPAC Chairperson.

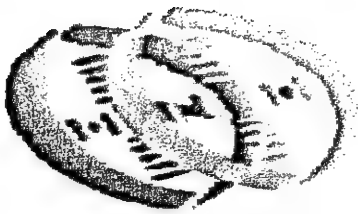
mandisa.mdzeke@mogalecity.gov.za / 076 912 8655

ANNEXURE A

MPAC REQUEST FOR CLARITY ON ISSUES WHICH WERE FOUND INADEQUATE AND INCOMPLETE ON THE 2014/15 DRAFT MUNICIPAL ANNUAL REPORT

The table below indicates the comments on the 2014/15 Draft Annual Report as received from MPAC, and the responses, corrections and effected changes on the updated 2014/15 Annual report.

Title and table no.	MPAC comment	M & E response
Water Network Delivery Levels T3.1.3, Page 78	No figures	Figures included
Capital Expenditure 2014/15: Water Services T3.1.9, page 83	No total value, incomplete table	Totals included
Sanitation Service Delivery levels T3.2.3, page 87	Incomplete	Information included
Financial Performance 2014/15 : Sanitation Services T3.2.8, Page 90	Incomplete	Information included
Capital expenditure 2014/15: Sanitation Services T3.2.9, page 93	Incomplete	Totals included
Electricity Service Delivery Levels T3.3.4, page 97	Not showing any growth	Table updated
Employees: Waste Disposal and other services T3.4.6, page 107	Percentages not calculated	Percentages calculated and included in table
Road infrastructure costs T3.7.5, page 124-125	Not complete/Updated	Graph updated



Mogale City

Local Municipality

MPAC REQUEST FOR CLARITY AND CORRECTION TO BE MADE WITH REGARDS TO THE 2014/2015 DRAFT ANNUAL REPORT.

<p>CHAPTER 1</p> <p>1.</p>	<p>CHAPTER 4</p> <p>1.Item T4.3.6 duplication of disciplinary actions taken against cashier Constance Dlamini</p>
<p>CHAPTER 3</p> <p>1.</p> <p>The figure of 11,000 seems to present 2012/13. Refer to pg 118</p> <p>kindly also indicate how many household are classified?</p> <p>2.</p> <p>An uncountable water loss for 2014/15 is the total of Industrial and Domestic while the heading states Total use of water by sector .how is this possible? FOR 2013/14 IS not the correct figure-why not?</p> <p>3.</p> <p>P87 Table incomplete and why the apparent inconsistencies? It seems as if the figure for totalhouseholds2013/14 under formal settlement was used from table3.4.3 on P104 (solid water service) to populated table 3.2.4 is this correct and are figures of 69 649 for 2014/15 true?</p> <p>4.</p> <p>P89</p> <p>The actual "compliance to effluent</p>	<p>CHAPTER 5</p> <p>1.</p> <p>Explain why 2003 households gets energy subsidy as opposed to 13 109 receiving all other services?</p> <p>2.</p> <p>Page 288 explains the regress on liquidity current ratio and coverage.</p> <p>3.</p> <p>Page 300 how did the unspent?</p> <p>4.</p> <p>Does the municipality have plans to build cash backed reserves?</p> <p>5.</p> <p>Page 274 the collection rate is captured as 98% whilst the financial report indicates 93%, please explain?</p> <p>6.</p> <p>Page 290 repetition of T.5.2.1 instead of T5.2.3</p> <p>7.</p> <p>Page 302 and 307, the table numbering used on both pages please check.</p> <p>8. Page 302 incorrect numbering of table.</p>



Mogale City

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Reference: Segware Rapolai

COO

CLLR MANDISA MDZEKE

THE CHAIRPERSON

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

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MPAC REQUEST FOR CLARITY TO BE MADE WITH REGARDS TO THE 2014/15 ANNUAL REPORT.

The memo dated 08 February on the above mention matter refers. The responses were compiled in accordance with the guidelines of MFMA circular 63 and only those matters contained therein were dealt with accordingly. Other matters that are outside these parameters were not responded to and should the pursued through other channels

Responses are as per table below:

CHAPTER 3- SERVICE DELIVERY PERFORMANCE

ACTIVITY (Table no.)	MPAC COMMENT	RESPONSE
T3.1.4	Why is table omitted?	Comment noted. Table will be included in future annual reports.
	Why we under spent and how is gone affect us in future?	Not provided for in the MFMA Circular 63 guidelines for the compilation of the Annual Report
T3.1.10	Would you please clarify paragraph 5 and 6 on table	Paragraph 5 details the financial performance on the function and challenges experienced in delivering the entire Water and Waste Water services and projects Paragraph 6 indicates that had adequate resources been available all the set IDP

ACTIVITY (Table no.)	MPAC COMMENT	RESPONSE
		targets could have been attained
	Are there any measures to apply in order to recover the financial misconduct?	
T3.26.5	The amounts on table, are they for salaries or training	It is for employee expenses

CHAPTER 4-HUMAN RESOURCE AND ORGANISATIONAL DEVELOPMENT

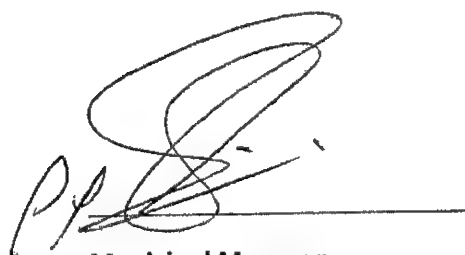
ACTIVITY(Table)	MPAC COMMENT	M & E RESPONSE
T4.1.1.	What is the municipality doing to fill up vacancies particularly the areas that affect service delivery(e.g. water and environmental protection	The municipality engages temporary services to alleviate any pressure on service delivery departments during the period of the moratorium.
	Do you have a monitoring system in order to check the abuse of sick leave and what is the estimate cost?	During the year under review the municipality used a manual system; with the procurement of the EMS system the monitoring process shall now be automated.
T4.4.1	Why have you omitted table?	This is a collation error but the table will be provided as part of the revised submission to MPAC.
No table provided	What is the time line for processing payment by mayor?	The Executive Mayor does not process any payment.
No table provided	Would you please clarify the financial competency development and elaborate on regulation 14(4)BD)?	Please indicate to which table this request relates to.
T4.6.1.1 and T4.6.3	On table an employee was upgraded but on job evaluation was conducted then how she was upgraded as there was no evaluations?	The employee was appointed Personal to Holder, the yearly increase in salary was not implemented as per rule and the situation was rectified.
	Why appointees and officials of the municipality were not disclosed as stipulated on section 56?	This was an error that occurred during collation of the report. (Reference to Appendix J).

CHAPTER 5-FINANCIAL PERFORMANCE

ACTIVITY(Table)	MPAC COMMENT	M & E RESPONSE
	According to the annual report template you need to give us the of consultants that you used and also provide their achievements	Comment noted. Annexure I will be included in future on the performance of service providers.
	Does the Department of Transport compensate us hence we open on	Not provided for in the MFMA Circular 63 guidelines for the

ACTIVITY(Table)	MPAC COMMENT	M & E RESPONSE
	Saturday?	compilation of the Annual Report
	Why is there serious under spending on environmental protection?	Not provided for in the MFMA Circular 63 guidelines for the compilation of the Annual Report
	97% of grand was used and how much was spent on it?	Please refer to page 263-264(Table 5.2.1)
	Why the municipality pays projects without conducting assessment on it (e.g. project plan and project milestone?	Not provided for in the MFMA Circular 63 guidelines for the compilation of the Annual Report
	Provide reasons why we underspend on repairs and maintenances that might affect service delivery?	Not provided for in the MFMA Circular 63 guidelines for the compilation of the Annual Report
T5.8.1	Please provide information required for table.	Basic service delivery by the municipality includes provision of potable water, sewerage, refuse removal, electricity and roads, which is the basic competency of local government. There is no known residential area within the City that has any backlogs. The municipality endeavours to ensure that all backlogs are eradicated and this is done through Municipal Infrastructure Grant funding.
T5.11.1	Why T5.11.1 is omitted?	Table has been included. See page 293 Note: MCLM does not have Public Private Partnerships as indicated in the table

Kind Regards,



Municipal Manager
Dan Mashitisho

12/2/16

Date: DD/MM/YYYY



Mogale City

Local Municipality

MPAC OFFICE

TEL:011 951-2169/6680514

Mandisa.mdzeke@mogalecity

08 February 2015

TO:

MUNICIPAL MANAGER

THIS LETTER SERVES TO SEEK CLARITY ON THE FOLLOWING QUESTIONS WHICH WE FEEL THAT ARE OF IMPORTANT FOR OUR OVERSIGHT REPORT ON OR BEFORE THE 11 FEBRUARY 2016. WHICH WILL BE TABLED BEFORE COUNCIL ON 25 FEBRUARY 2016. HOWEVER WE APPRECIATE FOR YOUR ASSISTANCE IN OUR PREVIOUS REQUEST.

KINDLY RECEIVE ATTACHED QUESTIONS.

I HOPE YOU WILL FIND THIS IN ORDER.

REGARDS


CHAIRPERSON

CLlr MANDISA MDZEKE

Chapter 6

Material impairments

As disclosed in note 3 to the financial statements, the allowance for impairment of receivables from non-exchange transactions amounted to r458 011 880

(2013-14: R343 430 252). The recoverability of these amounts is doubtful.

As disclosed in note 4 to the financial statements, the allowance for impairment of receivables from exchange transactions amounted to R416 875 219

(2013-14: R445 900 236). The recoverability of these amounts is doubtful.

The MCLM has appointed eleven debt collectors to assist with collection and cut off and restriction of services is taking place to try to collect the debt within 60 days.

T6.2.2

Chapter 6

COMPONENT B: AUDITOR-GENERAL OPINION 2014/15

6.2 AUDITOR GENERAL REPORT 2014/15

AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2014/15

Audit Report Status:

Unqualified with matters of emphasis

Significant uncertainties

With reference to note 48 to the financial statements, the municipality is the defendant in various court cases. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

The municipality's contingency liability has reduced from the previous financial year. The legal services has done a due diligence in all litigious matters against the municipality wherein we identified the causes of contingency matters, with possible solutions. The due diligence will be conducted annually to identify where we are lacking with the view of putting systems in place to ensure that contingency matters are further reduced.

Restatement of corresponding figures

As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered in the financial statements of the Mogale City Local Municipality during the year ended 30 June 2015.

Prior adjustments are allowed hence we have GRAP 03 which state how prior year adjustments must be disclosed in the financial statements. Reinstatement of corresponding figures when compared to June 2013 figures was reduced by 51%. However Management will analyse all accounts to determine the root cause of all errors on the financial statement and put control measures to eliminate recurrence.

Chapter 6

<p>Material impairments As disclosed in note 4 to the financial statements, the allowance for impairment of consumer debtors was R624 171 719 (2013: R571 668 063). The recoverability of these amounts is doubtful</p>	<p>Continue to vigorously implement the municipality's Credit Control and Debt Collection Policy</p>
<p>Note:*The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)</p>	
T6.1.1	

Auditor-General Report on Service Delivery Performance 2013/14	
Audit Report Status*:	Unqualified with matters of emphasis
Non-Compliance Issues	Remedial Action Taken
MCLM had complied with applicable legislation regarding the financial matters, financial management and other related matters	There were non-compliance issues
<p>Note:*The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)</p>	
T6.1.2	

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AUDITOR-GENERAL
SOUTH AFRICA

Mr D. Mashitsho
The Accounting Officer
Mogale City Local Municipality
PO Box 94
Krugersdorp
1740

30 November 2015

Reference: 02244REG14-15

Dear Mr D. Mashitsho

Report of the Auditor-General on the financial statements and performance information of Mogale City Local Municipality for the year ended 30 June 2015

The above-mentioned report of the Auditor-General are submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004 read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

In terms of section 121(3) and 127(2) of the MFMA municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year.

As your municipality will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following:

- Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
- The signature at the end of the hard copy of the audit report should be scanned in when preparing to print the report. The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report, as well as the place and date of signing and the logo should also appear at the end of the report, as in the hard copy that is provided to you. The official logo and the authorised signature will be made available to you in electronic format.
- Please submit 10 copies of the annual report to the Stakeholder Liaison Manager, 61 Central Street, Houghton, 2198.

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Please notify the Provincial Auditor-General Mabatho Sedikela well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled at the municipality.

Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely



Nerosen Venketsamy
Senior Manager: [Gauteng Business Unit]

Enquiries: Abraham Theunissen
Telephone: (011) 703 7600
Fax: (011) 703 7690
Email: AbrahamT@agsa.co.za

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Report of the auditor-general to the Gauteng provincial legislature and the council on Mogale City Local Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Mogale City Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mogale City Local Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

8. With reference to note 48 to the financial statements, the municipality is the defendant in various court cases. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

9. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered in the financial statements of the Mogale City Local Municipality during the year ended 30 June 2015.

Material losses

10. As disclosed in note 39 to the financial statements, the municipality incurred material losses amounting to R78 069 967 (2013-14: R77 539 902) as a result of water distribution losses, which represents 42% (2013-14: 44%) of the total water purchased. The total technical losses of water amounted to R27 963 152 (2013-14: R26 361 109). Non-technical losses amounted to R50 106 815 (2013-14: R51 178 793) and are mainly due to faulty prepaid meters, straight pipes in some areas and leakages.

Material impairments

11. As disclosed in note 3 to the financial statements, the allowance for impairment of receivables from non-exchange transactions amounted to R458 011 880 (2013-14: R343 430 252). The recoverability of these amounts is doubtful.
12. As disclosed in note 4 to the financial statements, the allowance for impairment of receivables from exchange transactions amounted to R416 875 219 (2013-14: R445 900 236). The recoverability of these amounts is doubtful.

Additional matter

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

14. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

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Report on other legal and regulatory requirements

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2015:
- Strategic goal 1: Sustainable services to the community on pages x to x
 - Strategic goal 2: To promote a sound environmental management system on pages x to x
17. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
18. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).
19. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. I did not identify material findings on the usefulness and reliability of the reported performance information for the selected strategic goals.

Additional matters

21. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected development priorities, I draw attention to the following matters:

Achievement of planned targets

22. Refer to the annual performance report on pages x to x, x to x, x to x and x to x for information on the achievement of the planned targets for the year.

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Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for of both Infrastructure Services and Integrated Environmental Management. As management subsequently corrected the misstatements, I did not identify material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary information

24. The supplementary information set out on pages XX to XX does not form part of the annual performance report and is presented as additional information. I have not audited this information and, accordingly, I do not report thereon.

Compliance with legislation

25. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

26. I considered internal control relevant to my audit. I did not identify any significant deficiencies in internal control.

Other reports

Investigations

27. Two internal investigations were conducted during the financial year into acts of alleged fraud perpetrated by municipal officials. One of these investigations were in the disciplinary hearing stage at the date of writing this report while the other was closed as no evidence could be found to substantiate the allegation against the municipal official.

Auditor - General

Johannesburg

30 November 2015



AUDITOR - GENERAL
SOUTH AFRICA

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